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A C K L A N D S L I M I T E D

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A N N U A L

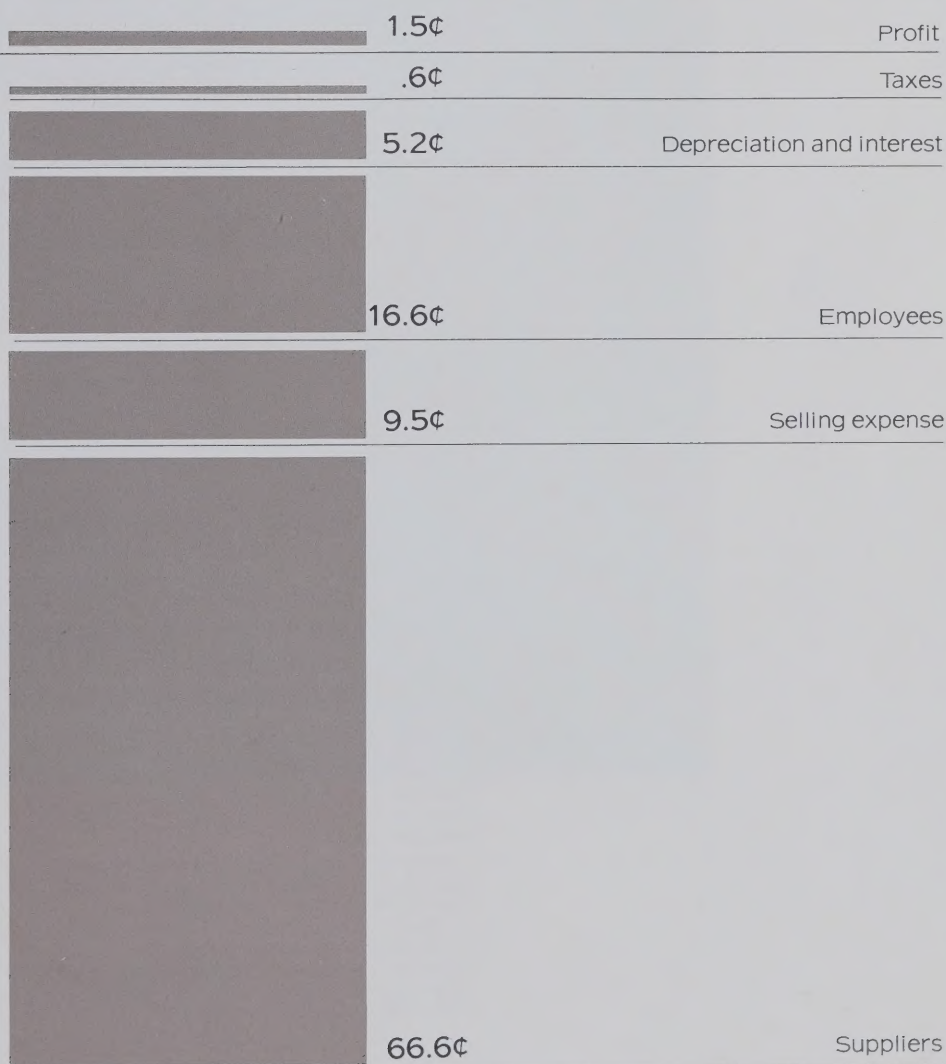
R E P O R T

Acklands' Business	<p>Acklands is primarily in the distribution and marketing of automotive aftermarket products and in the related industrial equipment and supplies field.</p> <p>Canada's "Aftermarket" is comprised of the parts and equipment needed to service and maintain passenger vehicles, industrial, marine and outdoor power equipment. Industrial supplies are sold to the manufacturing, mining, forestry, construction and petrochemical industries as well as</p>	<p>government accounts. The Company operates from a broad network of warehouse distribution centres, industrial supply branches, wholesale and combined wholesale/retail automotive jobbing outlets and automotive repair centres.</p> <p>Acklands now employs nearly 3800 people and supplies customers from sales centres in cities and towns throughout Canada and in the United States.</p>
Acknowledgements	<p>George Forzley, Acklands' Senior Vice-President and Chief Operating Officer, announced his retirement in February, 1981. Mr. Forzley devoted more than forty years to Acklands. He will continue as a Director and consultant.</p> <p>Donald J. Dawson, formerly Vice-President, Eastern Operations, was appointed Acklands' Senior Vice-President and General Manager, located in Winnipeg. He is responsible for operational activities, including merchandising and marketing. Douglas G. Cumming, formerly Vice-President,</p>	<p>Western Operations, was appointed Senior Vice-President, Operations, based in Edmonton. He is responsible for the profit performance of all operating divisions. Both have been with Acklands for their entire business careers.</p> <p>Edwin W. Austin, President and Chief Executive Officer of The International Trust Company, Toronto, was elected to the Board of Directors, replacing Michael H. Caine, who has decided to step down after twelve years on Acklands' Board.</p>
Annual Meeting	<p>The Annual Meeting of Acklands Limited will be held on Thursday, May 7, 1981 at 2:45 p.m. in the Concert Hall of the Royal York Hotel, 100 Front Street West, Toronto, Ontario, Canada.</p>	
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Financial Highlights

	1980	1979
Sales	\$349,973,000	\$335,783,000
Income before taxes and extra-ordinary item	7,354,000	10,855,000
Income after taxes Including extraordinary item	5,253,000	7,265,000
Before extraordinary item	5,253,000	6,832,000
Earnings per common share Before gain on sale of fixed assets and extraordinary item	1.85	2.21
Gain on sale of fixed assets (net of income taxes)	.13	.41
Income before extraordinary item	1.98	2.62
Net income	1.98	2.80
Dividends paid Preference shareholders	193,000	205,000
Common shareholders	1,460,000	1,211,000
Dividends paid per common share	.57	.48
Shareholders' equity	57,827,000	53,883,000
Equity per common share	21.33	20.01
Total Assets	\$228,348,000	\$208,285,000

Distribution of the 1980 sales dollar



Acklands Limited is in a period of substantial expansion and much improved efficiency. However, costs associated with expansion and divestiture, combined with a sluggish economy and higher interest rates, reduced our 1980 earnings performance.

Revenues

The Company recorded 1980 consolidated sales of \$349,973,000, which is 4.2 percent above the level of the previous year. Sales of discontinued operations, including home entertainment products, were \$12,494,000 compared with \$27,242,000 in 1979. Adjusting for these divestitures, sales increased by \$28,938,000, or 9.4 percent.

Costs

Operating costs increased by 12.2 percent, or \$12,456,000. As a percentage of sales, total expenses were up by 2.3 percent.

Payroll costs accelerated by \$5,737,000, or 11.0 percent over 1979 despite a reduction in the number of employees because of divestitures. Increased rates of interest, combined with a higher level of borrowing, escalated the cost of financing the Company's business by \$2,289,000, or 17.5 percent, in 1980.

As a result of these and other expense factors, operating and financial costs increased disproportionately to the gross profits achieved on sales volume.

Earnings

Pre-tax profit from operations was \$6,827,000, down 27.8 percent from the year before. A gain on the sale of fixed assets of \$527,000 brought total 1980 pre-tax income to \$7,354,000.

Net after tax profit was \$5,253,000, or \$1.98 per common share, compared with \$7,265,000, or \$2.80 per common share, in 1979. The previous year's earnings include an extraordinary income tax reduction of \$433,000, or \$0.18 per common share.

Profit Decline

Operations closed or sold during the year involved substantial costs that reduced earnings in the short term as we concentrated the Company's activities on its primary businesses.

The electronics division in Alberta and refrigeration division in British Columbia were both sold. Additionally, we gave up the Company's exclusive distribution franchise for the sale of Zenith home entertainment products in Manitoba, Saskatchewan and British Columbia. Sales of Zenith products in 1980 were \$10,719,000.

In total, 22 locations were closed last year, incurring significant expense.

Earnings were further reduced by expenditures associated with the installation of new computer systems and the opening of major new warehouses in Edmonton, Montreal and Moncton. The Saskatoon and Calgary warehouses were enlarged and the Montreal engine rebuilding plant was relocated. Additionally, 16 new branches were opened during the year.

Fires, which destroyed the Toronto automotive electric parts rebuilding plant and seriously damaged the Saskatoon brake and clutch plant, curtailed production, resulting in operational losses.

The process of establishing and improving facilities, along with the closing of marginal operations and the installation of new computer systems, has been costly with inevitable disruptions to our normal operations. However, these expenditures are necessary for better productivity and a higher level of customer service.

Acquisitions

In January of this year, Acklands announced the purchase of two companies: Family Auto, which operates 23 car repair centres in Ontario; and, Craig Motor Service Company of Clarksburg, West Virginia. Craig operates two warehouses, a diesel engine rebuilding plant, 19 wholesale jobbing outlets and an automotive spring and van body business. The acquisition will position Acklands as a substantial new competitor in the U.S. automotive parts industry. The Family Auto purchase will give us further entry into the Canadian car repair business.

Combined annual sales of these newly acquired companies are about \$34,000,000.

Acklands In The 1980's

Internal growth and consolidation have set the tone of our planning for the past five years. For the next few years, our intention is to expand our market penetration in both Canada and the United States.

Our aim is to broaden our influence in all facets of the automotive parts business and we also intend to place increased emphasis on branch expansion to enlarge our industrial supply business. We will further develop our Bumper to Bumper wholesale/retail auto parts program in Canada and strengthen our nationwide network of independent automotive jobber associate stores.

As a national supplier of industrial products, Acklands is well positioned to enhance its business growth. Our principal strength is the Company's ability to provide a broad range of readily available products and to offer fast, efficient service.

During 1980, industrial operations made a substantial contribution to overall corporate profits — notably Westward Distributors, which imports and markets hand tools; Westair, which distributes industrial fasteners; Mines Assay Supplies, a merchandiser of mining products; and our industrial welding division. Toro lawn care equipment, which was previously included in our leisure products division, is now a profitable part of the industrial power products group.

Reasons For Optimism

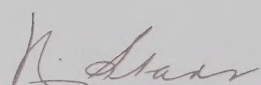
Although 1980 was disappointing in some respects, we are optimistic about the future.

There are two essential reasons for our optimism. One has to do with the industries in which we participate. We believe that Acklands will see remarkably strong growth in its principal markets.

The other essential reason for our optimism has to do with changes that have taken place in the Company itself. We have, during the past five years, eliminated many unprofitable businesses; initiated a corporate spending program geared to achieving operational efficiencies; and broadened our marketing scope.

Consequently, we are confident that this strategy, coupled with the positive outlook for markets, will have a significant effect on corporate profits.

On behalf of the Directors, I wish to express our gratitude to Acklands' employees, suppliers, customers and shareholders for their commitment to the Company.



Nathan Starr
President and
Chief Executive Officer
Toronto, Canada



Serving industry

Consolidated Balance Sheet

As at November 30, 1980

Assets	1980	1979
Current Assets		
Cash	\$ 3,271,000	\$ 3,980,000
Certificates of deposit	6,000,000	
Accounts receivable	62,714,000	61,101,000
Inventories	109,510,000	104,198,000
Prepaid expenses	868,000	413,000
	182,363,000	169,692,000
Other Assets		
Investment in 50% owned companies	1,311,000	1,202,000
Mortgages and lien notes receivable and other assets	2,476,000	2,556,000
	3,787,000	3,758,000
Fixed Assets (note 2)		
Land, buildings, equipment and leasehold improvements	60,490,000	51,353,000
Less accumulated depreciation	18,292,000	16,518,000
	42,198,000	34,835,000
	\$228,348,000	\$208,285,000

Auditors' Report

To the Shareholders of Acklands Limited

We have examined the consolidated balance sheet of Acklands Limited as at November 30, 1980 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at November 30, 1980 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

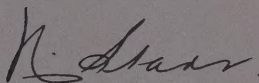
Thorne Riddell
Chartered Accountants

Winnipeg, Canada
February 6, 1981

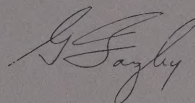
Liabilities	1980	1979
Current Liabilities		
Bank advances (note 3)	\$ 62,200,000	\$ 67,504,000
Accounts payable and accrued liabilities	45,122,000	46,153,000
Income and other taxes payable	2,549,000	3,615,000
Principal due within one year on long-term debt	8,319,000	3,568,000
	118,190,000	120,840,000
Long-Term Debt (note 4)	49,890,000	31,155,000
Deferred Income Taxes	2,441,000	2,165,000
Minority Interest		242,000
Shareholders' Equity		
Capital Stock (note 5)	15,700,000	15,356,000
Retained Earnings	42,127,000	38,527,000
	57,827,000	53,883,000
	\$228,348,000	\$208,285,000

Contingent Liabilities and Commitments (note 6)
Obligations Under Leases (note 7)

Approved by The Board



Nathan Starr, Director



George Forzley, Director

Consolidated Statement of Income

Year ended November 30, 1980

		1980	1979
Sales		\$349,973,000	\$335,783,000
	Cost of sales, selling and administrative expenses before the following	325,055,000	310,995,000
		24,918,000	24,788,000
Deduct	Depreciation	2,742,000	2,267,000
	Interest on long-term debt	4,144,000	3,648,000
	Other interest	11,205,000	9,420,000
		18,091,000	15,335,000
		6,827,000	9,453,000
	Gain on sale of fixed assets	527,000	1,402,000
	Income before income taxes and extraordinary item	7,354,000	10,855,000
	Income taxes (note 8)		
	Current	2,004,000	3,329,000
	Deferred	97,000	694,000
		2,101,000	4,023,000
	Income before extraordinary item	5,253,000	6,832,000
	Income tax reduction realized on the application of prior years' losses		433,000
Net Income		\$ 5,253,000	\$ 7,265,000
Earnings per share (note 9)	Income before gain on sale of fixed assets and extraordinary item	\$1.85	\$2.21
	Gain on sale of fixed assets (net of income taxes)	0.13	0.41
	Income before extraordinary item	1.98	2.62
	Net income	1.98	2.80

Consolidated Statement of Retained Earnings

Year ended November 30, 1980

	1980	1979
Balance at beginning of year	\$38,527,000	\$32,678,000
Net income	5,253,000	7,265,000
	43,780,000	39,943,000
Deduct		
Dividends declared on Second preference shares	193,000	205,000
Common shares	1,460,000	1,211,000
	1,653,000	1,416,000
Balance at end of year	\$42,127,000	\$38,527,000

Consolidated Statement of Changes in Financial Position

Year ended November 30, 1980

	1980	1979
Working capital derived from		
Operations	\$ 8,038,000	\$ 8,770,000
Increase in long-term debt	44,599,000	3,655,000
Proceeds from sale of fixed assets	1,315,000	2,847,000
Reduction of mortgages and lien notes receivable and other assets	246,000	216,000
Issue of common shares on conversion of debentures and preference shares	506,000	92,000
Increase in minority interest		48,000
	54,704,000	15,628,000
Working capital applied to		
Additions to fixed assets	10,893,000	8,348,000
Reduction of long-term debt	25,864,000	3,541,000
Dividends	1,653,000	1,416,000
Purchase of second preference shares	133,000	125,000
Reduction of minority interest	242,000	
Increase in mortgages and lien notes receivable and other assets	574,000	124,000
Investment in 50% owned companies	24,000	23,000
	39,383,000	13,577,000
Increase in working capital	15,321,000	2,051,000
Working capital at beginning of year	48,852,000	46,801,000
Working capital at end of year	\$64,173,000	\$48,852,000

Notes to Consolidated Financial Statements

Year ended November 30, 1980

1. Accounting Policies

(a) Principles of consolidation

The consolidated financial statements include the accounts of all subsidiary companies. The operating results of all subsidiaries are included in the consolidated financial statements from the dates of acquisition and are accounted for as purchases.

(b) Inventories

Inventories are valued at the lower of cost and net realizable value.

(c) Investment in 50% owned companies

It is the Company's practice to include in income its equity in net earnings of companies 50% owned and to reflect in the investment account its equity in undistributed earnings.

(d) Fixed assets

Fixed assets are stated at cost. Depreciation is recorded on a basis to amortize the cost of fixed assets over their estimated useful lives and the rates applied are substantially as follows

Buildings	2% Straight-line
Equipment, other than automotive	10% Straight-line
Equipment, automotive	30% Diminishing balance
Leasehold improvements	Over the unexpired terms of the lease

(e) Leases

Leases are classified as either capital or operating leases. Leases that substantially transfer all of the benefits and risks of ownership of property to the Company are accounted for as capital leases. At the time a capital lease is entered into, an asset is recorded together with its related long-term obligation to reflect the acquisition and financing. Equipment recorded under capital leases is being depreciated on the same basis as described in note (d) above. Rental payments under operating leases are expensed as incurred.

2. Fixed Assets

	1980		1979	
	Cost	Accumulated depreciation	Net	Net
Land	\$ 6,139,000		\$ 6,139,000	\$ 5,323,000
Buildings	26,998,000	\$ 4,583,000	22,415,000	18,689,000
Equipment	19,386,000	11,613,000	7,773,000	7,070,000
Equipment under capital leases	3,050,000	461,000	2,589,000	1,673,000
Leasehold improvements	4,917,000	1,635,000	3,282,000	2,080,000
	<u>\$60,490,000</u>	<u>\$18,292,000</u>	<u>\$42,198,000</u>	<u>\$34,835,000</u>

3. Bank Advances

Bank advances are secured by the assignment of accounts receivable, a first floating charge on inventories and a junior floating charge on other assets.

4. Long-Term Debt

	1980	1979
Acklands Limited		
11½% First mortgage bonds		\$18,600,000
Note payable, with interest at prime bank rates, payable April 7, 1981	\$ 140,000	280,000
7½% Unsecured convertible debentures, Series A, maturing June 15, 1988, having a sinking fund requirement of \$500,000 per annum (see below)	5,648,000	6,349,000
8½% Notes, payable \$16,000 quarterly to 1984	225,000	289,000
Prime related secured debentures, payable \$166,670 per month, maturing October 31, 1995 (see below)	39,833,000	
Subsidiaries		
Obligations under capital leases with maturities to 1990 (note 7)	2,786,000	1,730,000
6% to 15% Mortgages, agreements and notes payable in monthly instalments	9,577,000	7,475,000
	58,209,000	34,723,000
Less principal included in current liabilities	8,319,000	3,568,000
	<u>\$49,890,000</u>	<u>\$31,155,000</u>

The Company has segregated in certificates of deposit sufficient funds to retire the 7½% unsecured convertible debentures in 1981.

Interest on the prime related secured debentures is at prime commercial lending rates plus ¾ of 1%, but not less than 11½%.

Principal due within each of the next five years is as follows

1981	\$8,319,000
1982	4,015,000
1983	2,854,000
1984	2,634,000
1985	2,514,000

5. Capital Stock

(a) Authorized and Issued

	Authorized		Issued	
	Shares	Amount	Shares	Amount
Non-voting second preference shares issuable in series	848,561	\$13,577,000		
Series A \$0.96 cumulative, convertible and redeemable at \$17 per share	225,539	\$ 3,608,000	204,545	\$ 3,273,000
Deduct Converted to common shares during the year	3,461	55,000	3,461	55,000
Purchased for cancellation during the year			10,100	162,000
	3,461	55,000	13,561	217,000
	<u>222,078</u>	<u>\$ 3,553,000</u>	<u>190,984</u>	<u>3,056,000</u>
Common shares without par value	3,867,224	\$13,452,000	2,529,163	12,083,000
Add Issued on conversion of 7½% Unsecured convertible debentures			35,140	502,000
Second preference shares	3,461	55,000	3,461	59,000
	<u>3,870,685</u>	<u>\$13,507,000</u>	<u>2,567,764</u>	<u>12,644,000</u>
				<u>\$15,700,000</u>
(b) Common shares reserved for issue				
	Expiry date	Price	Number of common shares reserved	
Upon conversion of 7½% Unsecured convertible debentures	June 14, 1981	\$14.28	<u>395,360</u>	

6. Contingent Liabilities and Commitments

- (a) Conditional sales agreements assigned with recourse and other guarantees total \$4,232,000.
- (b) Outstanding bank letters of credit amount to \$3,108,000.
- (c) The benefits under the Company's pension plan were amended in a prior year. These amendments gave rise to an unfunded past service liability, which, at November 30, 1980 is approximately \$1,237,000 and is being paid and charged to income in equal amounts until 1989.

7. Obligations Under Leases

(a) Capital leases

Future minimum payments on capital leases together with the present value of the obligations, as at November 30, 1980 are as follows

1981	\$ 527,000
1982	527,000
1983	527,000
1984	540,000
1985	426,000
1986-1990	1,713,000
	<u>4,260,000</u>
Amount representing interest	1,474,000
	<u>2,786,000</u>
Principal due within one year included in current liabilities	246,000
Long-term obligations under capital leases	<u>\$2,540,000</u>

(b) Operating leases

The Companies have commitments under leases which, after recoveries from sub-tenants totalling \$1,229,000, call for future net rentals of \$12,654,000. Net rentals are as follows

1981	\$2,411,000
1982	2,142,000
1983	1,878,000
1984	1,380,000
1985	1,113,000
1986-1998	3,730,000

8. Income taxes

Income taxes for 1980 have been reduced by \$1,438,000 (\$1,262,000 in 1979) because of inventory allowance deductions allowed for income tax purposes.

9. Earnings per share

(a) The calculation of basic earnings per share, after adjusting for second preference share dividends, has been made using the weighted monthly average number of common shares outstanding in each year.

(b) Fully diluted earnings per share for 1980 are as follows

Income before gain on sale of fixed assets and extraordinary item	\$1.64
Gain on sale of fixed assets (net of income taxes)	0.10
Income before extraordinary item	1.74
Net income	1.74

In calculating fully diluted earnings per share the weighted monthly average number of common shares outstanding has been calculated assuming full conversion of the convertible debentures and second preference shares on the dates of issue.

Net income used in this calculation, both before and including the extraordinary item, reflects a reduction in interest costs and the related effect on income taxes resulting from the above assumptions.

Retirement Plan

The Acklands Group Employees' Retirement Plan has been operating since January 1, 1969. Close to 2,000 employees are now members and pensions are being paid to over 400 retired employees and their spouses.

The Retirement Plan is valued annually by consulting actuaries. Pension contributions by employees and the Company are held in trust funds which are separate from the Company's finances.

The assets of the Acklands Pension Fund exceed \$21 million. As of the date of the last actuarial valuation of the pension plan (December 31, 1979) these assets were sufficient to provide for 93.6% of the liabilities for all benefits earned to that date. These liabilities take into account the fact that the benefits eventually received will be based on average salary at retirement rather than current salary. As described above in Note 6(c) to the Financial Statements, the Company is currently paying off the unfunded liability by making special payments into the fund over a period of years.

The actuaries have also calculated the liabilities of the Retirement Plan for benefits earned to date if the plan were terminated. The main difference between this calculation and the calculation above is that benefits under this calculation are based on current average salary rather than average salary at retirement. On this basis the pension fund assets are more than sufficient to provide for all of the liabilities for benefits under the pension plan if the plan was terminated for any reason.

10. Subsequent Events

Subsequent to November 30, 1980 the Company has acquired the shares of Craig Motor Service Company, Inc., Family Auto Ltd. and their associated companies for \$2,457,000.

11. Other Information

(a) Statutory information

Remuneration of directors and senior officers, as defined, amounted to \$1,251,000 (\$1,322,000 in 1979).

(b) Segmented disclosure

The distribution of automotive and industrial products is the dominant industry segment. Operations in the United States are not material and do not require segmented disclosure.

Five Year Financial Summary

	1980	1979	1978	1977	1976
Sales	\$349,973,000	\$335,783,000	\$292,826,000	\$280,446,000	\$289,203,000
Depreciation	2,742,000	2,267,000	1,952,000	2,013,000	1,904,000
Interest on long-term debt	4,144,000	3,648,000	3,548,000	3,991,000	4,598,000
Net Income					
Including extraordinary items	5,253,000	7,265,000	5,802,000	3,128,000	3,472,000
Before extraordinary items	5,253,000	6,832,000	4,545,000	3,055,000	3,305,000
Dividends					
Preference shareholders	193,000	205,000	207,000	215,000	245,000
Common shareholders	1,460,000	1,211,000	1,209,000	1,209,000	1,208,000
Working capital	64,173,000	48,852,000	46,801,000	46,161,000	46,243,000
Fixed assets, net	42,198,000	34,835,000	30,199,000	28,557,000	29,419,000
Long-term debt	49,890,000	31,155,000	31,041,000	34,363,000	36,508,000
Shareholders' equity	57,827,000	53,883,000	48,073,000	43,675,000	42,113,000
Total Assets	228,348,000	208,285,000	187,692,000	168,677,000	180,436,000
Earnings per common share					
Including extraordinary items					
Primary	1.98	2.80	2.22	1.16	1.28
Fully diluted	1.74	2.37	1.90	1.05	1.14
Before extraordinary items					
Primary	1.98	2.62	1.72	1.13	1.21
Fully diluted	1.74	2.23	1.51	1.03	1.09
Dividends paid per common share	.57	.48	.48	.48	.48
Equity per common share	\$21.33	\$20.01	\$17.71	\$15.97	\$15.27
Common shares outstanding	2,567,764	2,529,163	2,520,008	2,519,098	2,517,958
Number of branches	284	290	295	309	332

Analysis by Product Group

Sales By Product Group	(\$ millions)	
	1980	1979
Automotive and Industrial	\$322.0	\$295.5
Power Products	\$ 16.3	\$ 23.5
Home Entertainment and Electronics	\$ 11.7	\$ 16.8
	\$350.0	\$335.8

Pre-Tax Income by Product Group

after allocation of corporate costs and excluding gain on sale of fixed assets.

	(\$ millions)	
	1980	1979
Automotive and Industrial	\$ 7.0	\$ 9.5
Power Products	\$ 1.0	\$ 0.0
Home Entertainment and Electronics	\$ (1.2)	\$ 0.0
	\$ 6.8	\$ 9.5

Inventory by Product Group (\$ millions)

	1980	1979
Automotive and Industrial	\$ 98.9	\$ 94.1
Power Products	\$ 7.1	\$ 5.2
Home Entertainment and Electronics	\$ 3.5	\$ 4.9
	\$109.5	\$104.2

Receivables by Product Group (\$ millions)

	1980	1979
Automotive and Industrial	\$ 56.4	\$ 52.8
Power Products	\$ 4.7	\$ 5.8
Home Entertainment and Electronics	\$ 1.6	\$ 2.5
	\$ 62.7	\$ 61.1

The sale of automotive and industrial products represented 92 percent of total volume in 1980. Sales of this product group were \$322.0 million, up 9 percent, and pretax operating profit, after allocation of corporate costs, was \$7.0 million, down 26 percent from last year.

Power products contributed \$1.0 million to pretax profits. The sharp decline in sales was mainly the result of discontinued sales of leisure related products.

The home entertainment and electronics group represented sales of \$11.7 million, down from \$16.8 million. Losses in this product group, which is now closed, were \$1.2 million.

Working Capital

Bank advances were \$62.2 million at year end, compared with \$67.5 million in 1979. The drop in current bank loans was the result of \$40 million in long-term financing which provided \$20 million to working capital. Working capital at year end totalled \$64.2 million, up \$15.3 million from November 30, 1979.

The Company's intention to redeem the 7½ percent convertible debenture accounts largely for the \$4.7 million increase in the principal due within one year on long-term debt. Payables were down slightly, reflecting the use of a portion of the \$40 million financing to bring suppliers into a current position.

Ratio Analysis

	1980	1979
Working Capital	1.54:1	1.40:1
Debt/Equity	2.08:1	1.90:1
Asset Turnover	1.53:1	1.61:1
Return on Assets	2.3%	3.5%
Inventory Turnover		
— including inter-company	3.1X	3.1X
— excluding inter-company	2.3X	2.6X
Accounts Receivable Turnover (trade only)	6.1X	6.2X
Personnel Productivity (wages to gross profit)	49.8%	48.1%

The working capital and the debt to equity ratios increased because of the new financing, while return on assets declined because of the reduction in net income. Higher payroll expenses resulted in a deterioration in the personnel productivity ratio. The lower the percentage, the better the performance.

Assets

Asset turnover and return on assets changed unfavorably, largely because of substantial fixed asset additions.

Current assets were up by 7.5 percent to \$182.4 million as of November 30, 1980 from \$169.7 million the year before. The increase includes \$6.0 million in certificates of deposit being held for the redemption of the 7½ percent convertible debentures.

Additions to fixed assets amounted to \$10.9 million, and net book value of fixed assets at year end was \$42.2 million. Major additions to owned facilities were the new Edmonton automotive parts distribution centre, an extensive warehouse expansion in Saskatoon and the relocation of the Company's engine rebuilding plant in Montreal.

Total assets at the close of the 1980 fiscal year amounted to \$228.3 million.

Growth of Total Assets	(\$ millions)	
1976	\$180.4	— 0.4%
1977	\$168.7	— 6.5%
1978	\$187.7	+11.3%
1979	\$208.3	+11.0%
1980	\$228.3	+ 9.6%

Capital Expenditures by Province

	(\$ millions)	
	1980	1979
Quebec	\$ 1.3	\$0.4
Ontario	\$ 0.4	\$1.4
Manitoba	\$ 0.3	\$0.3
Saskatchewan	\$ 2.7	\$1.2
Alberta	\$ 5.9	\$1.5
British Columbia	\$ 0.3	\$3.5
Total	\$10.9	\$8.3

Return on Common Shareholders' Equity (\$ millions)

	Equity	Income	% Return
1976	\$ 38.4	\$ 3.5	9.1%
1977	\$ 40.2	\$ 3.1	7.7%
1978	\$ 44.6	\$ 5.8	13.0%
1979	\$ 50.6	\$ 7.3	14.4%
1980	\$ 54.8	\$ 5.3	9.7%

Operating Expense (\$ millions)

Operating costs increased by 12.2 percent and totalled \$114.8 million. As a percentage of sales, total expenses increased to 32.8 percent from 30.5 percent. Following is a comparison of expenses with the previous year, taking fixed asset gains and other income into account.

	1980	1979	% Change
Payroll	\$ 57.5	\$ 51.8	+11.0%
Selling	\$ 12.8	\$ 13.6	- 5.8%
Premises	\$ 12.5	\$ 10.9	+14.7%
Warehouse	\$ 6.6	\$ 5.2	+26.9%
Administration	\$ 12.0	\$ 10.8	+11.1%
Depreciation	\$ 2.7	\$ 2.3	+17.4%
Interest Paid	\$ 15.3	\$ 13.0	+17.5%
Capital Gains	\$ (.5)	\$ (1.4)	-64.3%
Other Income/Expenses	\$ (4.1)	\$ (3.9)	+ 5.1%
	\$114.8	\$102.3	12.2%

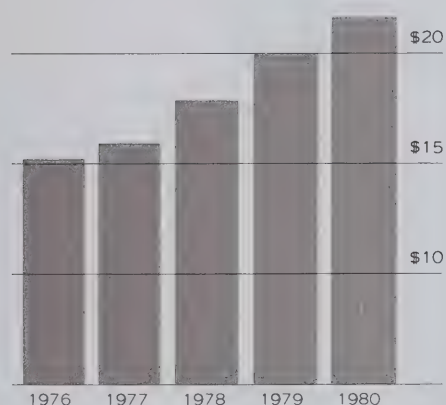
Common Shareholders' Equity

\$ Millions

\$ Dollars Per Share

\$38.4	\$40.2	\$44.6	\$50.6	\$54.8
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\$25



1980 Summary by Quarter (\$ millions)

	Sales		Net Income		Earnings per Share (dollars)	
	1980	1979	1980	1979	1980	1979
First Quarter	\$ 68.9	\$ 61.6	\$0.3	\$0.5	\$.08	\$.17
Second Quarter	\$ 91.3	\$ 82.7	\$0.1	\$0.7	\$.03	\$.26
Third Quarter	\$ 87.3	\$ 85.5	\$0.3	\$1.7	\$.11	\$.64
Fourth Quarter	\$102.5	\$106.0	\$4.6	\$4.4	\$1.76	\$1.73
	\$350.0	\$335.8	\$5.3	\$7.3	\$1.98	\$2.80

The Company's tax rate was lower for the year. The effective tax rate in 1980 was 28.6 percent of income, compared with 33.1 percent the year before.

Capitalization At Year End (\$ millions)

	(\$ millions)		(Percentage)	
	1980	1979	1980	1979
Common Equity	\$ 54.8	\$ 50.6	50.9%	59.4%
Preferred Stock	\$ 3.0	\$ 3.3	2.8%	3.9%
Long-Term Debt	\$ 49.9	\$ 31.2	46.3%	36.7%
	\$107.7	\$ 85.1	100.0%	100.0%



Serving the motoring public

Acklands distributes and merchandises automotive parts and industrial supplies. Activities include the importing of hand tools and machinery; rebuilding automotive engines and parts; and marketing power products, which comprise lawn care equipment, chain saws and small tractors.

Automotive Replacement Parts

Canada's automotive replacement parts market is substantial with estimated sales of about \$5 billion annually at the wholesale level. Acklands is greatly dependent upon this market since more than half of its volume is attributable to the automotive aftermarket.

Acklands services this industry from 17 strategically located regional warehouses, which distribute national brand and private label products to more than 1,200 independent and company-owned wholesale automotive jobbing outlets. Jobbers, in turn, sell to service stations, repair garages, fleet accounts, mass merchandisers and the do-it-yourself motorists.

The parts aftermarket offers outstanding growth potential.

- The vehicle population is growing in response to the private transportation demands of the expanding 25-44 year old age group and increased participation of women in the work force.
- Scrapage rates are declining while vehicle demand continues to rise. The average age of cars on the road is increasing from less than seven years at the end of the 1970's to an expected eight years by the mid-1980's. This is in response to rising new car prices and the high cost of financing their purchase.
- A total redesign of the automobile to meet mileage, anti-pollution and safety standards has resulted in constant changes in parts, creating marketing opportunities that didn't exist before.

Retailing Auto Parts

An opportunity for attaining new parts business is in the growing do-it-yourself market. The rising cost of repairs and servicing and the trend toward self-reliance, are encouraging more car owners to do their own maintenance.

The Bumper to Bumper auto parts store network, which combines retailing auto parts with wholesaling at automotive jobber outlets, was set up to serve this market and thus balance traditional wholesale business with new retail revenues. Since 1977, the number of outlets has risen to 247, about one-quarter of which are company-owned, while the rest are independent affiliates.

Industrial Equipment and Supplies

Manufacturers of industrial equipment and supplies are finding the costs of direct selling prohibitive and more are turning to efficient regionalized distributors like Acklands to bring their products to market. Acklands operates 140 industrial supply centres, many of which are combined with the sale of automotive products.

The industrial equipment and products market is largely dependent on business capital spending and the rate of economic expansion. Although the Canadian economy

is likely to grow more slowly in the 1980's than in the 1970's, capital investment is expected to amount to about \$1.4 trillion in current dollars. A considerable proportion of this amount, about \$300 billion, will be invested in energy industries.

These figures include investment in construction of buildings and other facilities and a large proportion will be for machinery and equipment. Acklands is a major supplier to the construction, energy, natural resources and the manufacturing sectors.

In response to the investment growth of these industries, we have been expanding our range of products and improving our distribution system to ensure increased market share.

Warehousing and Computerization

Computerization, new facilities and modernization are the essential steps Acklands is taking to improve distribution efficiency and reduce inventory levels and financing expense. This program is costly to implement, but will produce lasting benefits in the form of lower distribution costs and better profits.

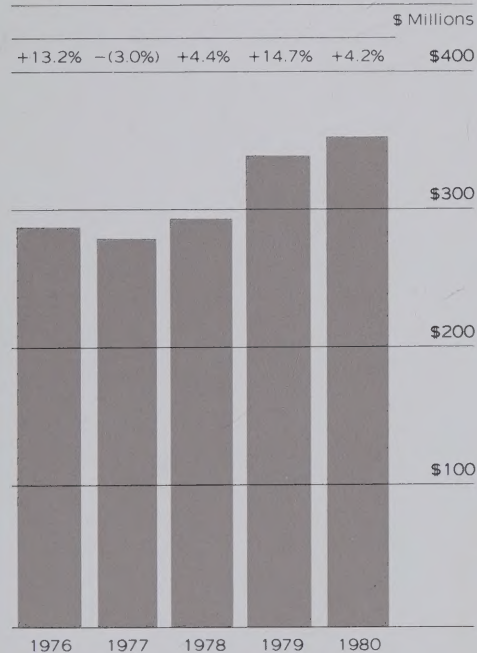
Over \$36 million has been committed since 1975 on building a network of fully-equipped regional distribution and sales centres. In 1977, the Company opened a \$4 million Regina facility. In 1979, we spent the same amount on a new warehouse in Vancouver. Another \$2 million was invested in improvements to our warehouses in Calgary and Saskatoon. In 1980, we opened new distribution centres in Edmonton and Montreal, and our first warehouse in the Maritimes, located in Moncton.

Other key warehouse and branch operations throughout the country have been redesigned, modernized and expanded. Eventually, all our facilities will receive the same attention.

We are proceeding with the first stage of our new computer systems program which is improving our inventory control and data processing capability in all major warehouses. The second stage of this program is the installation of on-line terminals in company-owned branches and in the outlets of affiliated independent automotive jobbers. Once completed this will give us a fully-integrated computer network linking the entire distribution system.

These initiatives have revitalized the Company and consequently, Acklands is well positioned to take advantage of growing markets.

Sales



Board of Directors	<p>Philip Ashdown Provincial Judge, Winnipeg</p> <p>Edwin W. Austin President and Chief Executive Officer The International Trust Company, Toronto</p> <p>Moshe Bessin Vice President, Retail Division Acklands, Toronto</p> <p>Donald E. Boxer Director, Burns Fry Limited, Toronto</p> <p>Donald Carr, Q.C. Senior Partner, Goodman and Carr, Toronto</p> <p>Daniel W. Casey Retired Bank Executive, Toronto</p> <p>Jacques Douville Executive Vice-President, National Bank of Canada, Montreal</p> <p>George Forzley Retired Acklands Executive, Vancouver</p>	<p>Herman Kahn Managing Director, Lehman Brothers Kuhn Loeb Incorporated, New York</p> <p>Norman A. Peden Retired Acklands Executive, Edmonton</p> <p>Simon Reisman President, Reiscar Ltd., Ottawa</p> <p>Dr. Nathan Schechter Physician, Ottawa</p> <p>Nathan Starr President and Chief Executive Officer Acklands, Toronto</p> <p>Samuel Wallin President, Queen-Yonge Investments Ltd., Toronto</p> <p>Donald J. Wilkins Chairman of The Board, Acklands, Toronto</p>
Executive Committee	<p>Moshe Bessin</p> <p>Donald E. Boxer</p> <p>Donald Carr, Q.C.</p> <p>Daniel W. Casey</p> <p>George Forzley</p> <p>Nathan Starr</p> <p>Donald J. Wilkins</p>	
Compensation Committee	<p>Simon Reisman, Chairman</p> <p>Donald Carr, Q.C.</p> <p>Daniel W. Casey</p>	
Audit Committee	<p>Philip Ashdown, Chairman</p> <p>Donald E. Boxer</p> <p>Daniel W. Casey</p>	
Major Divisions	<p>Automotive Warehouse Distributors Incorporated (U.S.)</p> <p>Craig Motor Service Company, Inc. (U.S.)</p> <p>Family Auto/Auto Place</p> <p>Gillis & Warren</p> <p>Maurice Rousseau</p> <p>Moto-Rite</p> <p>Regent Automotive</p> <p>Taylor, Pearson & Carson</p> <p>T.P.C. Turfcare</p> <p>Westair Sales</p> <p>Western Automotive Rebuilders</p> <p>Western Warehouse Distributors</p> <p>Westward Distributors</p> <p>Westward Power Products</p>	

Directory**Officers and Staff**

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Chairman of The Board
Nathan Starr
President and
Chief Executive Officer
Donald J. Dawson
Senior Vice-President and
General Manager
Douglas G. Cumming
Senior Vice-President, Operations
Arnold Glass
Vice-President, Finance
and Secretary-Treasurer
Victor A. Aker
Vice-President,
British Columbia
Moshe Bessin
Vice-President, Retail Division
Samuel H. Blank
Vice-President, Director of
Corporate Purchasing
Paul Burns
Vice-President and Assistant
to The Chairman of The Board
David M. Craig
Vice-President, Credit
John F. Driscoll
Vice-President, Corporate Affairs
and Executive Assistant
to The President
Blake E. Forrest
Vice-President, International Division
Wallace Greenspoon
Vice-President and General Manager,
Moto-Rite
Leonard J. Kenna
Vice-President, Special Projects
Harry M. Kilmer
President,
Craig Motor Service Company, Inc.
Alex Kozma
Vice-President, Internal Audit
Donald T. Langton
Vice-President,
Ontario and Quebec Automotive
Division

Theodore Stokes
Vice-President and General Manager,
Saskatchewan
Lloyd Utigard
Vice-President and General Manager
Western Automotive Rebuilders
Berl Bessin
Assistant Vice-President,
International Division
Barry Christie
General Manager, Alberta Specialty
Division
Arnold Harbour
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and Northwestern Ontario
Eugene Hretzay
Assistant Secretary
Leonard Lavoie
Manager, Information Services
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Quebec Automotive Division
Gerald W. McCallum
Assistant Treasurer
Kiyoo Nonomura
Assistant Director of Corporate
Purchasing
Joseph J. Roral
General Manager, Ontario Industrial
Division
Victor Russman
General Manager, British Columbia
Samuel N. Smilski
Comptroller
Allan R. Smith
Bumper To Bumper National
Co-ordinator
Allan Stambaugh
General Manager, Alberta
E. Roland Williams
Assistant Vice-President,
British Columbia

Corporate Data

Auditors
Thorne Riddell, Winnipeg

Transfer Agents and Registrars

Common Shares
The Canada Trust Co.,
Vancouver, Winnipeg, Toronto
and Montreal

**Second Preference Shares Series A
and 7½% Series A Debentures**
The Crown Trust Company,
Vancouver, Winnipeg, Toronto
and Montreal

Counsel
Sokolov, Klein & Company, Winnipeg
Share Listings
Toronto, Vancouver and Winnipeg
Stock Exchanges
Ticker Symbol: ACK

Head Office
125 Higgins Avenue
Winnipeg, Manitoba
R3B 0B6
Telephone (204) 956-0880

Executive Office • 100 Norfinch Drive, Downsview, Ontario M3N 1X2 • Telephone (416) 663-7900